

August 12, 1999

TO: Senator Sid Snyder, Chairman
Senator Dan McDonald
Representative Hans Dunshee
Representative Brian Thomas
Fred Kiga, Director, DOR
Dick Thompson, Director, OFM

FROM: Chang Mook Sohn, Executive Director
Office of the Forecast Council

SUBJECT: AUGUST 10, 1999 REVENUE COLLECTION REPORT

General Fund-State collections in the July 11 – August 10 collection period were \$51.7 million above the estimate, rebounding from last month's \$43.3 million shortfall. Revenue Act (sales, B&O, use, and public utility taxes) sources and, to a lesser extent, property tax receipts accounted for this month's positive variance. The larger than normal monthly volatility during the last two months is primarily due to timing of the receipt of an unusually large assessment (\$29 million). The June forecast assumed that this payment would be made last period; however, it was not received until this month. In the two months since the June forecast, total General Fund-State receipts are \$8.4 (0.4 percent) above expectations. This relatively small variance indicates that overall the forecast appears pretty much on track.

Revenue Act collections in the July 11- August 10 collection period were \$53.1 million above the forecast, more than offsetting last month's \$30.8 million shortfall. Collections this month primarily reflect June 1999 business activity of monthly taxpayers and April-June activity of quarterly filers. This month's receipts include an unusually large (\$29 million) audit payment. Assessment payments aside, business activity was very strong this month. Revenue act receipts were 10.5 percent higher than a year-ago, adjusting for tax law changes and special factors. This is about double the gains of the previous two months: payments based on April activity was up 4.0 percent while receipts based on May activity increased 5.1 percent. This month's strong performance boosts growth for the entire second quarter to a very strong 6.9 percent. The strong growth of Revenue Act tax receipts reflects a healthy economy. Nationally, retail sales were up 8.1 percent in June and 7.9 percent in the second quarter. The U.S. economy added 310,000 jobs in July on top of June's 273,000 addition. The U.S. unemployment rate in July remained near a 30-year low of 4.3 percent. Although the state's unemployment rate rose to 4.8 percent in June from 4.7 percent in May, it is only 0.1 percent higher than a year-ago despite significant losses in the manufacturing sector.

Preliminary data on taxes paid during the July 11- August 10 collection period indicates most of the strength was in retailing and construction. Retailing growth was about double that of the non-retailing sector. Within retailing, the strongest growth in tax payments was from the furniture and household

appliance sector and food stores. The furniture and household appliance sector posted a double-digit increase, despite some evidence of slowing real estate activity.

Non Revenue Act General Fund taxes collected by the Department of Revenue were \$1.9 million below the forecast in July. Higher than expected property tax receipts were more than offset by weak real estate excise and leasehold excise tax receipts. This month's Non-Revenue Act shortfall increases the shortfall since the June forecast for this category to \$5.9 million. This month's positive property tax variance offset last month's shortfall; cumulatively, property tax receipts are only \$617,000 less than expected. The major sources of cumulative shortfall in the Non-Revenue Act category is estate tax (\$4.6 million less than expected) and real estate excise tax (\$3.4 million below the estimate). Estate tax payments are down 3.2 percent from the year-ago level the last two months despite more filings and a generally strong market for both financial and real estate assets.

Real estate excise activity abruptly weakened last month. June 1999 real estate activity (closings in June reflecting payments to the state in July) was down 6.8 percent from a year ago. This was the first year-over-year decline since January and the largest since November of 1995. Higher mortgage rates and slower in-migration have contributed to the slowdown.

Other agencies' collections were \$2.0 million below the forecast in July and are \$7.9 million below expectations in the past two months. The Department of Licensing General Fund collections were \$798,000 less than anticipated in July. Cumulatively, the Department of Licensing General Fund collections are \$2.1 million below the forecast. The Lottery's transfer to the General Fund was \$1.2 million above the estimate for the month but remains \$5.9 million less than the June forecast.

The attached Table 1 provides a comparison of collections with the June forecast for the July 11-August 10, 1999 collection period. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

CMS:cg

Attachments

TABLE 1
Revenue Collection Report
August 10, 1999 Collection Report - Based on the June 1999 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Amount</u>	<u>Difference</u> <u>Percent</u>
July 11 - August 10, 1999				
Department of Revenue-Total	\$820,467	\$871,729	\$51,262	6.2%
Revenue Act** (1)	741,077	794,213	53,135	7.2%
Non-Revenue Act(2)	79,390	77,516	(1,874)	-2.4%
Liquor Sales/Liter	6,465	6,502	37	0.6%
Cigarette	5,575	5,794	219	3.9%
Property (State School Levy)	10,451	14,960	4,509	43.1%
Estate	6,113	6,147	33	0.5%
Real Estate Excise	44,304	39,730	(4,574)	-10.3%
Timber (state share)	0	0	0	NA
Other	6,482	4,383	(2,099)	-32.4%
Department of Licensing (2)	3,774	2,975	(798)	-21.2%
Lottery (2)	6,014	7,233	1,218	20.3%
Total General Fund-State***	\$830,255	\$881,937	\$51,681	6.2%
Cumulative Variance Since the June Forecast (June 11 - August 10, 1999)3				
Department of Revenue-Total	\$1,843,700	1,860,121	16,420	0.9%
Revenue Act** (3)	1,373,372	1,395,687	22,315	1.6%
Non-Revenue Act(4)	470,328	464,434	(5,895)	-1.3%
Liquor Sales/Liter	12,721	13,015	294	2.3%
Cigarette	11,033	12,297	1,265	11.5%
Property (State School Levy)	324,839	324,222	(617)	-0.2%
Estate	14,600	9,986	(4,613)	-31.6%
Real Estate Excise	76,945	73,512	(3,433)	-4.5%
Timber (state share)	0	0	(0)	NA
Other	30,190	31,401	1,211	4.0%
Department of Licensing (4)	21,367	19,275	(2,093)	-9.8%
Lottery (4)	21,943	16,024	(5,920)	-27.0%
Total General Fund-State***	\$1,887,011	\$1,895,419	\$8,408	0.4%

1 Collections July 11 - August 10, 1999. Collections primarily reflect June 1999 activity of monthly taxpayers and April-June activity of quarterly filers.

2 July 1-31, 1999 collections.

3 Cumulative collections, estimates and variance since the June forecast; (June 11 - August 10, 1999) and revisions to history.

4 Cumulative collections, estimates and variance since the June forecast; (June-July 1999 and revisions to history.)

* Based on the June 1999 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue, the Department of Licensing and the Lottery Commission, about 97% of total General Fund-State.

TABLE 2
July 10, 1999 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
June 11 - July 10, 1999				
Department of Revenue-Total	\$988,392	\$988,392	(\$0)	-0.0%
Revenue Act (1)	601,474	601,474	0	0.0%
Non-Revenue Act(2)	386,917	386,917	0	0.0%
Liquor Sales/Liter	6,513	6,513	(0)	-0.0%
Cigarette	6,503	6,503	(0)	-0.0%
Property (State School Levy)	309,262	309,262	0	0.0%
Estate	3,839	3,839	0	0.0%
Real Estate Excise	33,782	33,782	0	0.0%
Timber (state share)	0	0	0	NA
Other	27,018	27,018	(0)	-0.0%
Department of Licensing (2)	16,299	16,299	0	0.0%
Lottery (2)	8,791	8,791	0	0.0%
Total General Fund-State***	\$1,013,482	\$1,013,482	\$0	0.0%

Cumulative Variance: June 11 - July 10, 1999 & Revisions to History

Department of Revenue-Total	988,392	\$988,392	(\$0)	-0.0%
Revenue Act (3)	601,474	601,474	0	0.0%
Non-Revenue Act(4)	386,917	386,917	0	0.0%
Liquor Sales/Liter	6,513	6,513	(0)	-0.0%
Cigarette	6,503	6,503	(0)	-0.0%
Property (State School Levy)	309,262	309,262	0	0.0%
Estate	3,839	3,839	0	0.0%
Real Estate Excise	33,782	33,782	0	0.0%
Timber (state share)	0	0	0	NA
Other	27,018	27,018	(0)	-0.0%
Department of Licensing (4)	16,299	16,299	(0)	-0.0%
Lottery (4)	8,791	8,791	0	0.0%
Total General Fund-State***	1,013,482	\$1,013,482	(\$0)	-0.0%

P-Preliminary. Reported in the July 10, 1999 collection report.

R Revised data.

1 Collections June 11 - July 10, 1999. Collections primarily reflect May 1999 business activity of monthly taxpayers.

2 June 1-30, 1999 collections.

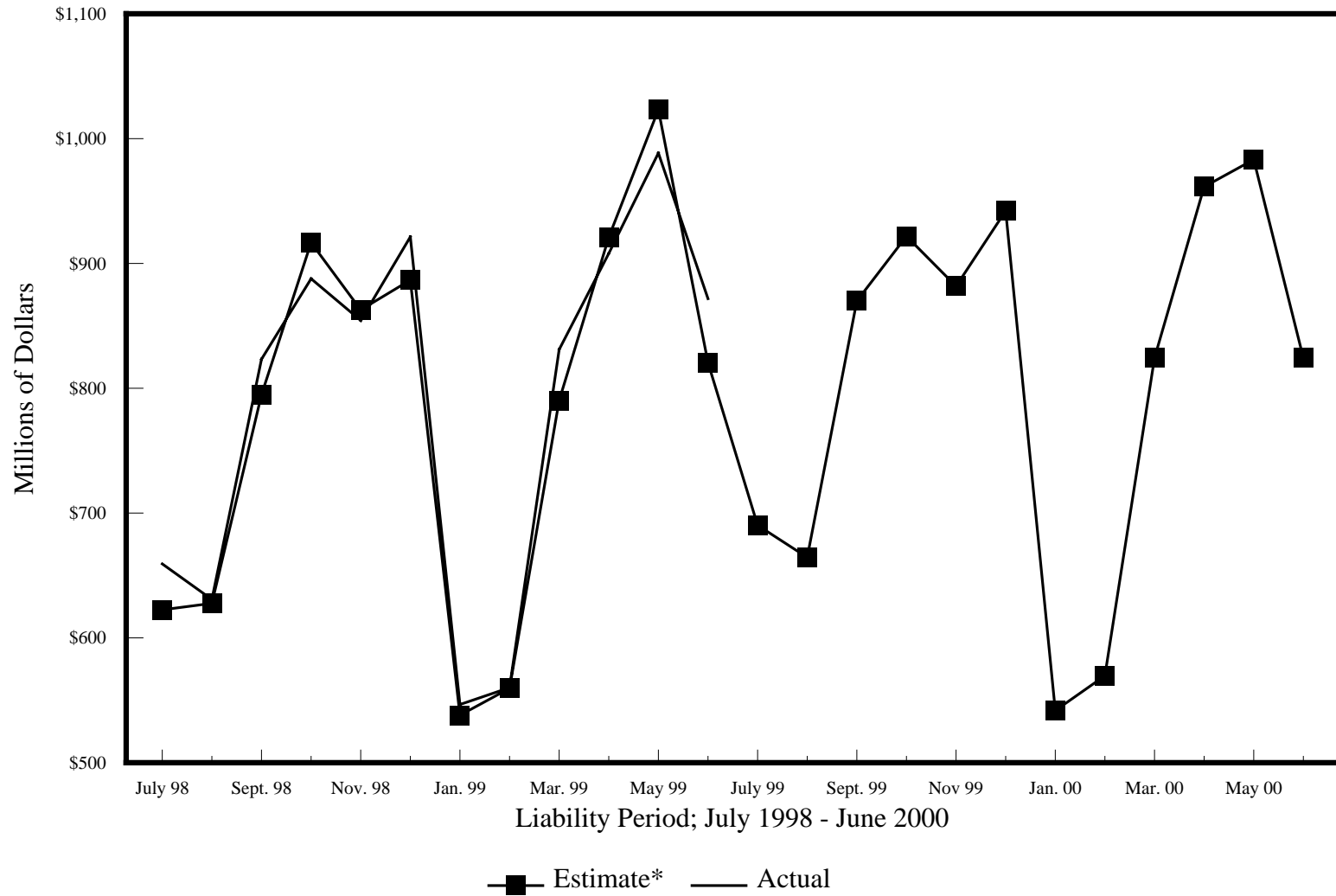
3 Cumulative variance for since the June forecast: June 11 - July 10, 1999, & revisions to history.

4 Cumulative variance: since the June forecast (June 1999) & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

Department of Revenue: General Fund-State, Actual vs. Estimate

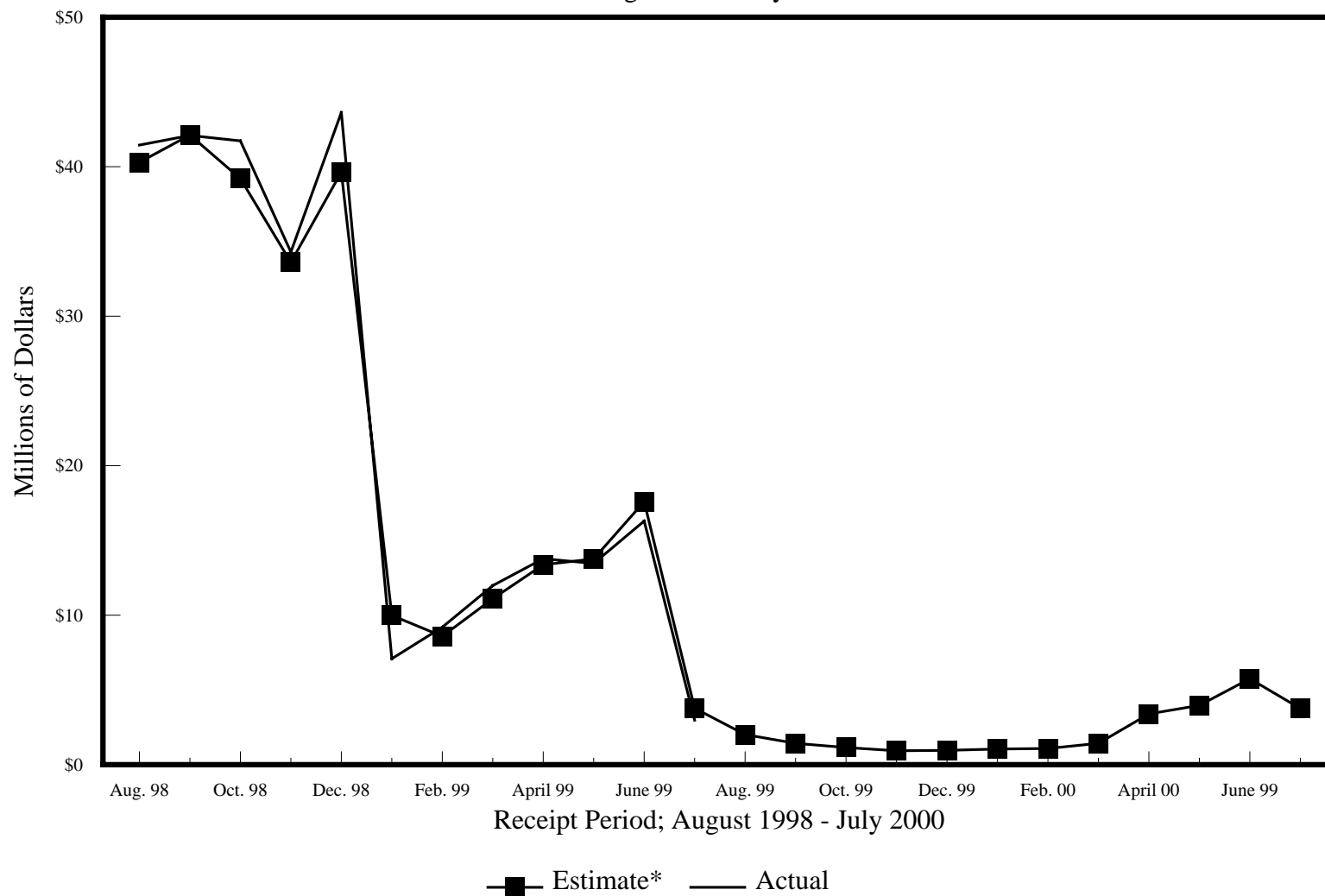
July 98 to June 2000



*June 1999 Estimates (May 99 thru June 2000)

Department of Licensing General Fund-State, Actual vs. Estimate

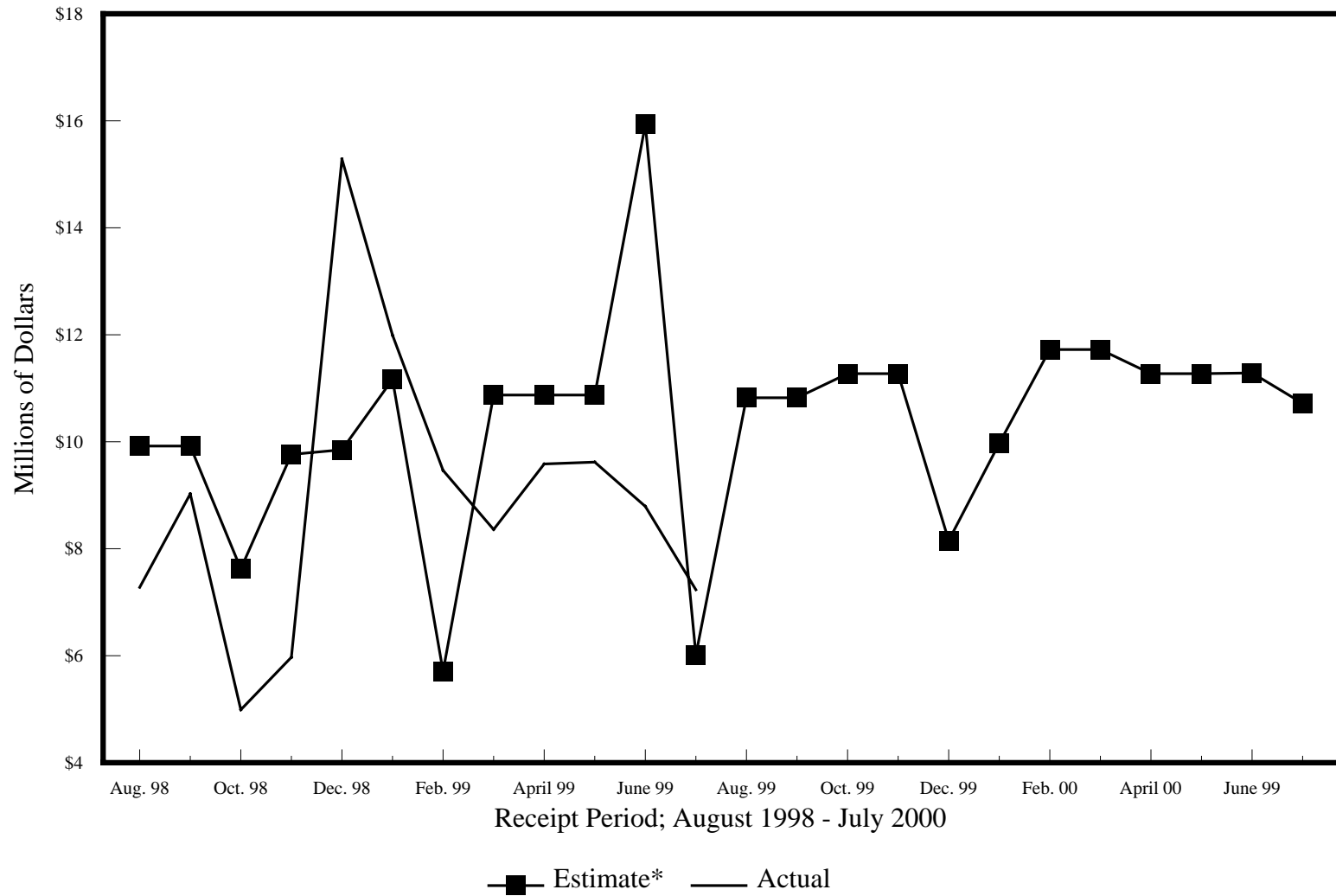
August 98 to July 2000



*June 1999 estimates (June 1999 thru July 2000)

Lottery General Fund-State Transfers, Actual vs. Estimate

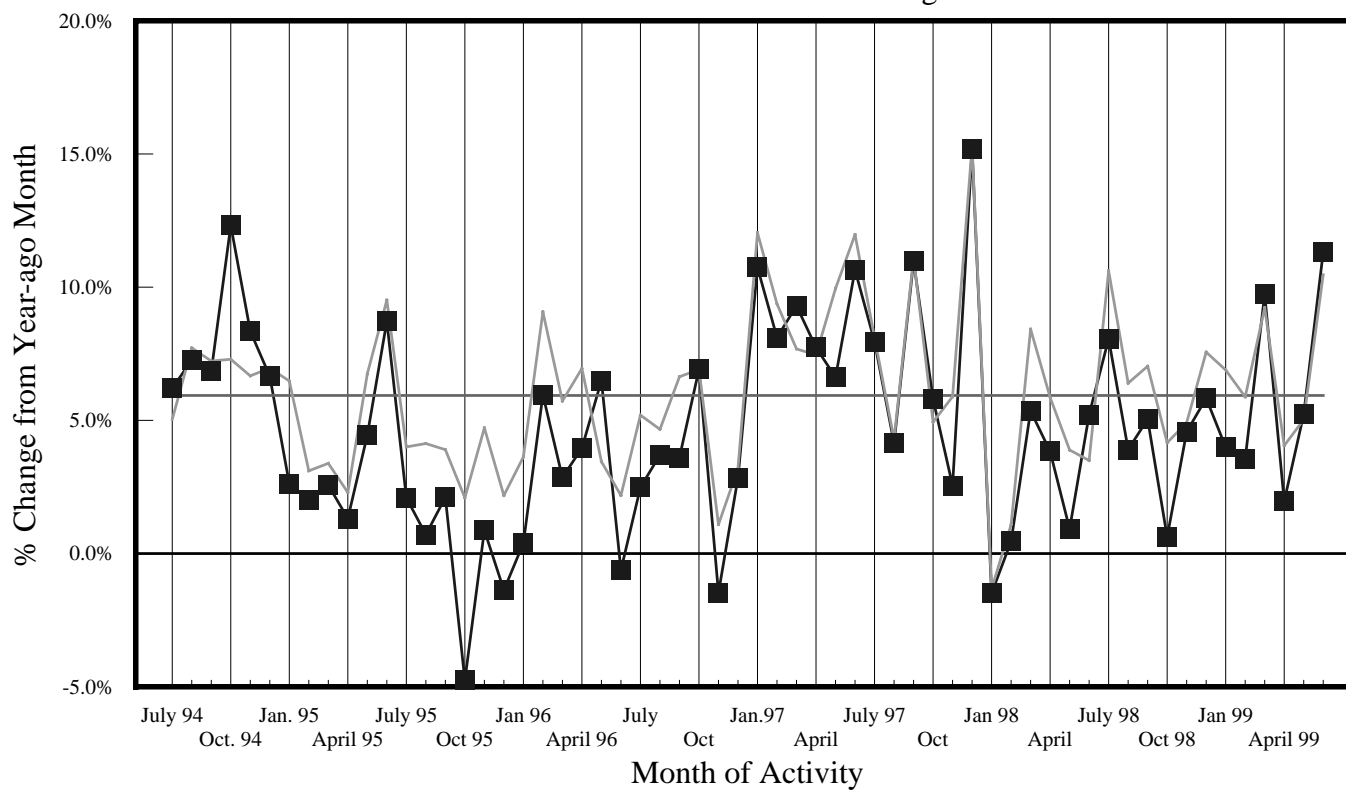
August 98 to July 2000



*June 1999 estimates (June 99 thru July 2000)

Revenue Act Net Collections

Year-over-Year Percent Change



■ % CH from year-ago month

— Ave. Growth fys: 95-98: 5.9% (Adj. for Legislation)

— % Change from year-ago, adjusted for large audits & legislation